

Phyllis Gilmore, Secretary

Sam Brownback, Governor

Recipient Monitoring Policy

Original Effective Date: March 22, 2000

Rev. 2003; Approved by Audit Committee on November 12, 2003

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Rev. 2009; Approved by Audit Committee on July 9, 2009

Purpose:

This document replaces Secretary's Letter 544 dated May 27, 1999 regarding responsibilities for obtaining independent audits on grants and contracts awarded by DCF. It defines the responsibilities for monitoring recipients of Department funding (direct and pass-through) and expands the monitoring requirements to cover all awards of that funding. (See definition of award below.) **This policy is effective beginning with fiscal years beginning July 1, 2009.**

Background and Definitions:

As defined in the OMB Circulars, **award** means financial assistance and cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities, that provide support or stimulation to accomplish a public purpose, which include grants and other agreements in the form of money or property in lieu of money, by the government to an eligible recipient. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract.

Regarding the use of grants and cooperative agreements, and contracts, the Federal awarding agency shall decide on the appropriate award instrument (i.e., grant, cooperative agreement, or contract). The Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08) governs the use of grants, cooperative agreements and contracts. A grant or cooperative agreement shall be used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute. The statutory criterion for choosing between grants and cooperative agreements is that for the latter, "substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement." Contracts shall be used when the principal purpose is acquisition of property or services for the direct benefit or use of the Federal Government."

For purposes of this document, the term "recipient" refers to those entities receiving funding (direct and pass-through) through the Department of Social and Rehabilitation Services.

Monitoring Policy Requirements:

- I. Non-Federal entities that **expend \$500,000 or more in a year in Federal awards (total of all applicable federal awards)** shall have a **single or program-specific audit** conducted for that year in accordance with the provisions of **OMB Circular A-133**. In addition to the requirements of the A-133 audit, recipients may be asked to conduct a separate limited scope engagement with agreed-upon procedures. These additional procedures will be designated in the terms and conditions of the award.

Limited scope audits with agreed-upon procedures should be conducted in accordance with either the AICPA's generally accepted auditing standards or attestation standards.

The A-133 audit shall be completed and submitted to DCF within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period. Any limited scope audit reports with agreed-upon procedures should be submitted in accordance with the submission date set by program staff.

The cost for the single audit may be charged against the Federal award. Additional requirements imposed by DCF, and the resulting audit work necessary to achieve them, would not be able to be charged against the Federal award but would be able to be charged against the State portion of that award.

- II. **Entities that do not fall under the audit requirements found in Section I. (e.g., expend less than \$500,000 in a year in Federal awards or State awards or expend more than \$500,000 in State awards)** shall have a limited scope engagement with agreed-upon procedures or be subject to internal monitoring performed by DCF staff determined at the time of the negotiation of the award.

Limited scope engagements with agreed-upon procedures should be conducted in accordance with either the AICPA's generally accepted auditing standards or attestation standards.

All limited scope engagement reports shall be completed and submitted as specified within the award document. These limited scope engagements **may** include at a minimum:

- A financial audit of the Center conducted in accordance with generally accepted auditing standards. It should assess the extent to which the Center's financial reports fairly reflect the Center's financial condition and include a statement of financial position, statement of activities, and statement of cash flows. There shall also be (1) a schedule of award expenditures for the period covered by the recipient's financial statements, (2) a schedule of findings and questioned costs, and (3) a summary schedule of prior audit findings.
- A report on internal controls and a report on compliance to the award terms and conditions.
- The report on compliance shall address one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost; eligibility; matching, level of effort, earmarking; and reporting; or whatever compliance requirements are specified in the award document, applicable OMB Circular or applicable OMB Compliance Supplement.
- Any correspondence (e.g., management letters) from the auditor associated with the audit.

- A review of performance measures if the federal or state award document requires these to be audited and reported upon. The recipient of the award will have to report those performance measures either through their independent audit or through another entity designated by DCF.
- A detailed schedule of revenues and expenditures by line item if specified in the award document. This schedule must be prepared with reasonable assurance by the auditor. If line item detail is not required, management should ensure a schedule is prepared listing total revenues and total expenditures (state share and federal share) for each award. If the award covers multiple years, each year should be reported separately on the schedule. Again, the auditor should apply procedures to this schedule to determine if they can provide reasonable assurance on its contents.

The cost for a limited scope engagement may only be charged against the state award. The limited scope engagement may be conducted by either an independent auditing firm or by the DCF Office of Audit and Consulting Services.

Internal monitoring conducted by DCF may include reviewing reports submitted by the recipient, performing site visits to review financial and programmatic records and observe operations, reviewing the recipient's single audit or program-specific audit results, and evaluating audit findings and the recipient's corrective action plan. Internal monitoring can be done by DCF program staff or could also include audits/monitoring by the DCF Office of Audit and Consulting Services.

Action Needed:

Audits required above shall be completed and submitted to DCF within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period. **If DCF program staff have set a submission date for audit reports that is less than the requirement noted here, audits should be submitted to comply with those instructions.** DCF staff shall be given access, when requested, to all working papers prepared in the independent audit.

Audit reports should be forwarded to: The Department of Children & Family Services, Office of Audit and Consulting Services, Docking State Office Building, 8th Fl, 915 S.W. Harrison, Topeka, Kansas 66612. **They may also be sent electronically to OACS@DCF.ks.gov** Questions regarding this policy may be directed to the DCF Office of Audit and Consulting Services, DCF program staff, or the DCF Grants and Contracts Unit. Payments resulting from award closeout activities should be made payable to DCF and sent to the DCF Grants and Contracts Unit, Attn: Grants and Contracts Supervisor, Docking State Office Building, 8th Fl., 915 S.W. Harrison, Topeka, Kansas 66612.